



# MIRADOR

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April 21, 2017

The Honorable Mike Crapo  
Chairman  
Dirksen Senate  
Washington, DC 20515

The Honorable Sherrod Brown  
Ranking Member  
Dirksen Senate  
Washington, DC 20151

Dear Chairman Crapo and Ranking Member Brown,

On behalf of Mirador, I am pleased to submit ideas for fostering growth in the economy through providing access to credit for small businesses. Mirador is a technology solution used by regulated lenders such as banks, credit unions and community development financial institutions (CDFIs). We started our company in 2013 with one goal in mind: solve the small business lending gap.

In the regulated banking space, Mirador is a 3<sup>rd</sup> party services provider and is regulated and examined as such. The cloud-based Mirador lending technology platform is a "white label" solution enabling our customers to profitably originate loans as low as \$2,500 and offer competitive rates by leveraging technology to create scalability in the most cumbersome and labor-intensive parts of the lending experience.

Our technology's functionality supports each of the following services during the lending process: loan origination, underwriting and "decisioning," and closing preparation. As a front-end solution with extensive back-end functionality, all aspects of our platform focus on improving the engagement and experience between borrower and lender. The loan products our technology supports include: commercial term loans, SBA backed loans, working capital/lines of credit, and commercial real estate loans.

Mirador is not a lender. Our technology is highly-customizable and reflects the financial institution client's existing credit criteria. Although we are not a lender, our technology provides us with unfettered sightlines into current small business lending trends including types of businesses looking for capital, geographic distribution of a sample size of small business loans, credit availability and the risk appetites for different types of institutions.

With the consent of an institution and the applicant, our network of clients provide a unique opportunity to refer a borrower who may too risky for one institution to another institution that can offer affordable credit. By growing our client base, we envision a neural network of borrowers and lenders leveraged to ensure that any small business can get access to credit from a regulated institution without having to go through the time and trouble of starting the application process over again from the start.

With the goal of easing the lending process for both the small business and the regulated institution, Mirador offers the following suggestions to the committee for consideration.

**Encourage the IRS to automate the 4506T process for a third party to obtain a tax transcript.**

In 2016, Congressman Patrick McHenry (R-NC) introduced H.R. 5725, the IRS Data Verification Modernization Act of 2016 requiring the IRS to automate the Income Verification Express Services Process by creating an Application Programming Interface (API), which would reduce paperwork and the waiting period that currently burdens lenders and borrowers alike.

The current process requires a lender to submit a 4506-T form to the IRS, requesting a tax transcript which is then used to satisfy income verification requirements in the underwriting process. According to the IRS, the lender will receive a response to the request in 2 days or less. However, the typical experience for the lending community is far longer than 2 days. Forms are faxed back and forth and with some routinely returned for corrections based on clerical errors. In our experience, the 4506-T process averages around a week per request, and longer if the form is returned due to an error. In terms of the overall application process for the small business borrower, this delay is a significant factor in the decision to abandon the loan process and instead seek credit through an alternative source.

The McHenry bill would simply require the IRS to move from a paper-based, fax system to a secure API. Only those third parties authorized by the IRS to pull transcripts under the current vetting process would be able to take advantage of the API. In addition, since a fee is charged “per pull”, the IRS could simply increase this fee to cover the cost of converting to an API.

Although this legislation could be referred to the tax-writing committees, it is essential to a strong small business-lending pipeline to remove this unnecessary speed bump. We respectfully hope that this issue rises in prominence with Senators who may sit on any combination of Banking, Finance or Small Business, as the bill is important to constituents across the jurisdiction of all three.

**Provide Community Reinvestment Act (CRA) consideration for referrals to Community Development Financial Institutions (CDFI)**

Regulated banks frequently partner with CDFIs in order to satisfy CRA obligations with their regulators. Currently, banks obtain CRA consideration for providing capital investments, offering technical assistance and through collaboration with a CDFI on lending. However, banks do not receive CRA consideration from referring borrowers to these same CDFIs when these loans are too risky for the bank to underwrite.

Our CDFI partners have seen a rise in refinancing in the small business lending space. When the small business faces an immediate need for capital, and the traditional, regulated bank’s process is too slow, those businesses frequently turn to alternative lenders where terms and interest rates are unfavorable. Oftentimes speed outweighs cost-of-capital when the alternative means missing opportunities to expand or just keeping the lights on and the doors open. When urgency is gone, these businesses are left with high interest debt and payments that cut deeply into revenue. In a recent example provided by a partner CDFI, a refinanced loan saved a small business over \$6300 per month

in payments. That \$6300 a month is another employee or a lease payment on new space for the business.

Given the mission of CDFIs, a successful referral from a bank is something the regulators should incentivize. An easy and cost effective way to encourage these referrals is through providing CRA consideration. The more options provided to the small business borrower with minimal additional work, the better those businesses are served and the greater impact on the overall economy.

**Allow credit reports to transfer with referred loan applications and prohibit credit bureaus from requiring a new inquiry for each new lender**

Most individuals know that credit inquiries affect their credit score. Unfortunately, when applying for a loan, numerous inquiries occur from the various lenders considering the borrowers request. The more inquiries, the greater impact on a credit score and, as credit scores lower the cost of capital increases.

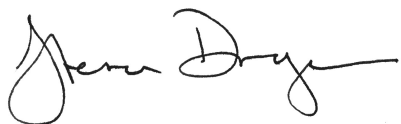
When a small business applies for a loan, they expect the lender to pull a credit report. However, if the lender is unable to approve the loan but can provide a referral to another lender who can help, it is reasonable to expect the credit report to transfer with the application. Unfortunately, the credit bureaus do not allow the reports to transfer and the small business experiences another inquiry on their credit for the same information already obtained for the application. This is an unnecessary added cost to the application and an unreasonable penalty to the small business.

Unless the credit bureaus willingly change this practice of requiring a new credit report when a loan application is transferred from one institution to another, a statutory requirement is needed to prevent further harm to the small business borrower.

Again, thank you for this opportunity to offer thoughts and suggestions on policy initiatives to foster economic growth. Small businesses are the engine of growth in the US economy, and policies and regulations should focus on how to provide affordable and safe capital access to these job creators.

If you have any questions or need further information, please do not hesitate to contact me. Please consider Mirador as a resource for you and your committee as you look for ways to improve lending in the small business sector.

Sincerely,



Trevor Dryer  
CEO & Co-Founder, Mirador